

BORROWER SERVICES

Borrower Services is responsible for providing best in business service to aid recipients by notifying them of repayment options, consolidating aid recipient loan, and controlling delinquent/defaulted accounts. To accomplish this mission, Borrower Services performs the following functions:

- Servicing Group
- Collections Group
- Consolidations Group
- Portfolio Risk Management Group

Servicing Group

Servicing Group is responsible for notifying Direct Loan borrowers of available repayment options, offering advice on repayment options that best suit a borrower, processing billing and repayment information, and monitoring repayment history and loan status. To accomplish this mission, Servicing Group:

- Proactively counsels borrowers on selection of repayment plan.
- Processes billing information through the Direct Loan Servicing System and handles requests for billing documents and loan status:
 - Calculates payment due and generates billing statements for borrower.
 - Sends periodic interest statements to borrower during school attendance and grace period.
 - Sends disclosure statement prior to end of grace period.
- Processes loan payment:
 - Processes repayment transactions on all loans held by Department of Education.
 - Refunds money to borrowers in case of overpayment.
- Manages aid status:
 - Processes deferments, forbearances, discharges, and cancellations of Direct Loans.
 - Monitors repayment history to update loan status to “delinquency” or “default” and, based on status updates, convert loan to “repayment” status.

Collections Group

Collections Group is responsible for providing the Department of Education a means of controlling delinquent/defaulted accounts, including managing all transactions related to identifying defaulted loans, billing defaulted borrowers, and processing repayments of

defaulted borrowers for those loans assigned to ED. To accomplish this mission, Collections Group:

- Collects Direct Loans in delinquent status (less than 270 days):
 - Sends demand letters.
 - Skip traces borrowers.
 - Attempts to cure delinquent loans via phone contact with borrower.
 - Monitors loan status of delinquent loans and reports to credit bureaus.
 - Assigns default status as necessary.
- Collects defaulted loans (greater than 270 days):
 - Receives defaulted loans with documentation.
 - Notifies borrowers of default status.
 - Attempts to cure defaulted loans via phone contact with borrower.
 - Reports loan status of defaulted loans to credit bureaus.
 - Assigns defaulted loans to private collection agencies.
- Collects grant overpayments (Pell and FSEOG).
- Collects non-defaulted loans from closed schools (Perkins).
- Bills defaulted borrowers and processes payments received on defaulted loans.
- Provides assistance to defaulted borrowers:
 - Provides consolidation assistance.
 - Assists with dispute resolution (e.g., dispute between borrowers and collection agencies and challenges to credit bureau reporting).
 - Coordinates borrower hearings.
 - Assists with account maintenance and inquiry handling.
- Resolves defaulted loans:
 - Reviews and selects method of resolution from private collection agency and Public Inquiry Contractor recommendations for default resolution.
 - Negotiates repayment agreements (rehabilitation).
 - Initiates litigation (generate the claims collection litigation report and files with the Department of Justice) and track progress of the Department of Justice litigation efforts.
 - Initiates and tracks the wage garnishment process.
 - Identifies and processes accounts eligible for Treasury offset of federal payments.
 - Discharges uncollectible loans.
 - Reinstates loans previously discharged.
- Manages compliance with the Federal Defaulter Loan Program.

- Provides defaulted loans alerts to the Department of Housing and Urban Development (to comply with Credit Alert Interactive Voice Response System (CAIVRS) reporting requirements).

Collections Group business activities are carried out within 4 regional service centers; each of which handles specialty collection activities:

Washington Service Center Division

The Washington Service Center Division is responsible for coordinating the resolution, recovery or disposition of debts arising under the Federal Student Aid programs and any other programs assigned.

In performing its assigned responsibilities, the Division:

- In partnership with the Regional Service Center Divisions, develops policies, procedures, and objectives for debt collection on defaulted student loans made under Federal programs.
- Coordinates collection policies and procedures for Regional Service Center Divisions and collection contractors and provides technical assistance on collection policy and procedures.
- Designs and implements, in partnership with the Regional Service Center Divisions, requests for proposals (RFPs) for the various collection contracts and other service contracts; negotiates and evaluates proposals received under RFPs; and monitors progress following the award of such contracts.
- In partnership with the Regional Service Center Divisions, develops policies, procedures, and objectives for collection of debts by Administrative Wage Garnishment, Loan Rehabilitation, Loan Consolidation, and other advanced techniques.
- Develops and analyzes statistics for student loan collection operations; designs and produces management information and other special reports on collection activities. Performs forecasting for the purpose of planning future collection activities, supports the development of auditable financial statements for the Department and its programs, as well as developing the President's budget.
- In partnership with the Regional Service Center Divisions, provides technical assistance to guaranty agencies, lenders, institutions of higher education, borrowers, and other interested parties regarding the regulatory requirements for the exercise of due diligence in the collection and assignment to the Department of outstanding accounts.
- In partnership with the Regional Service Center Divisions, develops and coordinates internal and external collection-related training in cooperation with other divisions and units of the Department and in cooperation with other agencies.
- Establishes and maintains a source of clear information on questions of financial accountability for debts.

- Develops policies and procedures in cooperation with the Internal Revenue Service for debt collection and skip-tracing services.
- In partnership with the Regional Service Center Divisions, works closely with other Federal and state agencies to improve collection and skip-tracing services.
- In partnership with the Regional Service Center Divisions, develops policies and procedures for coordination with the Department of Justice for litigation of debts.
- Participates with ED and OMB staff in the development of budget estimates necessary to calculate receivables, expenditures, staffing and other resource needs for collection-related activities.
- In partnership with the Regional Service Center Divisions formulates policies and procedures relating to the final resolution of defaulted accounts including compromise and write-off.
- Represents FSA and ED where necessary, in matters involving the Office of the Inspector General, the General Accounting Office, the Department of Treasury, other Federal and state agencies, and the Office of Management and Budget, when credit management and debt collection are the subject.
- Develops procedures for interagency information exchanges needed to maximize recovery of debts.
- Researches and responds to inquiries on all facets of credit management and debt collection within the purview of the Federal collection effort.
- In partnership with the Regional Service Center Divisions, assures compliance with Federal credit policy including OMB circulars and bulletins as well as Department of Treasury guidelines. This includes oversight of guaranty agencies, lenders, servicers, secondary markets and schools for compliance with debt collection requirements.
- Determines the cost of collections in order that customers may be assessed such costs as required by law.

The Washington Service Center Division has three branches: Contracts, Systems and Program Management.

Contracts Branch

- Coordinates collection policies and procedures for Regional Service Center Divisions and collection contractors and provides technical assistance on collection policy and procedures.
- Designs and implements, in partnership with the Regional Service Center Divisions, requests for proposals (RFPs) for non-IT service contracts;
- Negotiates and evaluate proposals received under RFPs; and monitors progress following the award of such contracts.
- Develops and analyzes statistics for student loan collection operations; design and produce management information and other special reports on collection activities.

Systems Branch

- In partnership with the Regional Service Center Divisions and FSA's CIO provides leadership and ongoing direction in the development of, testing, and monitoring of, software requirements for computer support for the full array of collection processes.
- Provides leadership and ongoing direction in the development, testing, and monitoring of, software requirements for computer support for the full array of collection processes.

Program Management Branch

- Develops policies, procedures, and objectives for debt collection on defaulted student loans made under Federal programs.
- Develops policies, procedures, and objectives for collection of debts by Administrative Wage Garnishment, Loan Rehabilitation, Loan Consolidation, and other advanced techniques.
- Performs forecasting for the purpose of planning future collection activities, developing auditable financial statements for the Department and its programs, as well as developing the President's budget.
- Provides technical assistance to guaranty agencies, lenders, institutions of higher education, borrowers, and other interested parties regarding the regulatory requirements for the exercise of due diligence in the collection and assignment to the Department of outstanding accounts.
- Develops policies and procedures in cooperation with the Internal Revenue Service for debt collection and skip-tracing services
- Works closely with other Federal and state agencies to improve collection and skip-tracing services.
- Develops policies and procedures for coordination with the Department of Justice for litigation of debts.
- Formulates policies and procedures relating to the final resolution of defaulted accounts including compromise and write-off.
- Represents FSA, and ED where necessary, in matters involving the Office of Inspector General, the General Accounting Office, the Department of the Treasury, other Federal and state agencies, and the Office of Management and Budget, when credit management and debt collection are the subject.
- Develops procedures for interagency information exchanges needed to maximize recovery of debts.
- Assures compliance with Federal credit policy including OMB circulars and bulletins as well as Department of Treasury guidelines.
- Determines the cost of collections in order that customers may be assessed such costs as required by law.

Atlanta Service Center Division

The Atlanta Service Center Division is responsible for the full range of collections services including Contract Services, Hearings, Loan Servicing, and Wage Garnishment.

Contract Services Branch

Contract Services Branch is responsible for developing policies and processes to validate, service, collect and resolve debts through contractors and other service providers. To accomplish, the Contract Services Branch:

- Monitors and evaluates contractors for compliance with Federal laws governing student financial assistance programs and contract requirements.
- Advises and trains contractors in Collections, collection/resolution policies and procedures, and in contract quality control requirements.
- In partnership with the Washington Service Center Division and other FSA offices, designs and implements requests for proposals (RFPs) for the various collection and other service contracts, and evaluates proposals received under RFPs.
- Develops statistical trends to be utilized in determining effectiveness in the contractor's and other service providers' implementation of the various collection initiatives.
- Provides recommendations on contract and/or corrective actions related to contractor performance.
- Determines the accuracy of the commission and fee dollar amounts, or other appropriate charges and administrative resolution fees charged to Collections for work completed under the contracts.
- Approves or rejects administrative resolutions related to events such as deaths, disabilities, dischargeable bankruptcies and loan cancellations.
- Approves or rejects customer compromises proposed to contractors.
- In partnership with the Washington Service Center Division, develops policies, procedures and objectives for collection of debts by Administrative Wage Garnishment, Loan Rehabilitation and Loan Consolidation. Advises and trains contractors in these policies, procedures and objectives, as well as other new initiatives established by the Department. (Atlanta*)
- Reviews litigation case resolutions recommended by the contractors, and approves or disapproves recommended payments. (Atlanta*).
- Monitors contractors who research account histories, investigating customer claims for false certification and closed school discharges. Monitors the compilation of documents necessary to support the

Department's case. Oversees the discharge of balances and the generation of refunds to borrowers as appropriate. (San Francisco*)

- Reviews guaranty agencies in the FFEL program to determine compliance with policy covering the assignment of defaulted loans to the Department. Also reviews guaranty agency collection operations to determine if guaranty agencies are performing due diligence and using collection policies, procedures and techniques that lead to the maximization to the Federal Treasury. (Chicago*)
- Establishes and monitors quality control of the public inquiry contractor which provides telephone services to customers and sends written replies to inquiries, including congressional inquiries. Works closely with the Contracting Officer's Technical Representative to improve the contractor's work product. (Chicago*)
- In partnership with other Regional Service Center Divisions, other ED offices or entities, the Washington Service Center Division and the Public Inquiry contractor, assures timely and accurate responses to controlled correspondence (e.g., White House, Congressional and Office of the Secretary, etc.) (Chicago*)
- In partnership with Collections Headquarters, the Office of the General Counsel and/or DOJ determines appropriate compromise settlements on class action suits. (San Francisco*)
- Monitors the research of contractors and answers all questions concerning contractor work product posed by the Office of the General Counsel and by U.S. Attorneys' offices on accounts serviced by contractors. (San Francisco*)

(NOTE: *This region has lead responsibility for this aspect of contractor oversight.)

Hearings Branch

Hearings Branch is responsible for conducting oral and written hearings for customers, in order to allow customers to present evidence that they believe absolves them from repaying debts. To accomplish this, the Hearings Branch:

- In partnership with the Washington Service Center Division, develops policies and processes to conduct hearings that afford debtors their rights of due process.
- In partnership with the Washington Service Center Division, provides leadership in establishing agreements with other federal agencies to provide hearing services for pre-Federal salary offset hearings. In partnership with the Washington service Center Division, provides ongoing oversight of the Federal Default Program hearing process.
- Conducts both oral and written hearings with customers prior to administrative wage garnishment, certification of debts to IRS for

Federal Income Tax Refund Offset, and/or national credit reporting Agencies.

- Makes the determination whether accounts have been declared in default in error and affects the repurchase of accounts by guarantors and/or lenders when the legal determination has been made that the lender or guarantor declared the loan to be default in error. Also affects repurchases and reinstatements when initiated by borrowers, guarantors or lenders.

Loan Servicing Branch

Loan Servicing Branch is responsible for developing policies and processes to collect and service debts and collecting by voluntary and involuntary means, and for researching account information to resolve customer disputes. To accomplish this, the Loan Servicing Branch:

- Services and collects accounts through borrower contacts. Thoroughly explains the government's collection program to customers and suggests a variety of solutions to resolve indebtedness. Works closely with public inquiry contract service representatives who have made initial contacts with customers.
- Services federal employee defaulter accounts from the time of identification as a federal employee defaulter until the debt is paid in full. Coordinates with other federal agencies, including the agency that performs hearings, and with the Washington Service Center Division throughout the entire process.
- Identifies and resolves discretionary accounts through loan rehabilitation (negotiating reasonable and affordable monthly payments with borrowers, determining that they have made 12 consecutive monthly payments, and then facilitating the sale of the loan(s) to an eligible lender); loan consolidation (negotiating reasonable affordable monthly payments with borrowers, determining that they have made 6 consecutive monthly payments and then facilitating the sale of the loan(s) to an eligible lender); and compromise, suspension, or termination on all or a portion of the amount owed. Finalizes all rehabilitation sales monthly.
- Services federal employee defaulter accounts from the time of identification as a federal employee defaulter until the debt is paid in full. Coordinates with other federal agencies, including the agency which performs hearings, and with the Washington Service Center Division throughout the entire process.
- Provides loan servicing on non-defaulted Perkins loans assigned to the Department because of schools closure or program withdrawal.
- Provides services, such as refunds, repurchases payments, etc., to customers and institutions.
- Makes determination whether to proceed with the collection of debts

by both voluntary and involuntary means, or transfer accounts to collection contractors, to the Department of Justice (for litigation), or Hearings (for a hearing).

- Resolves complaints and disputes concerning educational and lending institutions, and guaranty agencies.
- Researches account histories, investigates customer claims, and compiles all documents necessary to support the case.
- Responds to congressional and other inquiries regarding collection legislation, policies and procedures, as well as individual debts.
- Establishes and maintains a system of control and process to ensure timely and accurate updates and/or adjustments of data, and to ensure fiscal and fiduciary responsibilities and integrity of Collection's integrated debt collection data base.

Wage Garnishment Branch

Wage Garnishment Branch is responsible for developing administrative wage garnishment policies and processes. To accomplish this, the Wage Garnishment Branch:

- In partnership with the Washington Service Center Division and the Office of the General Counsel, develops and implements detailed systems and procedures for accurate and timely referral of cases of employer non-compliance to the Department of Justice for litigation.
- Tracks the progress of DOJ in litigation efforts, including the assurance of proper accounting for federal dollars collected through this effort.
- Determines with the DOJ appropriate compromise settlements on litigation against employers.
- Assists the DOJ in preparation of lawsuits against employers. Researches and answers all questions posed by U.S. Attorneys on cases referred to them for litigation.
- Works with U.S. Attorneys to effect payment of litigation fines and penalties against employers including cases where the Federal Government has brought suit. Assists DOJ in the preparation of lawsuits against employers when customer payments are not forthcoming. Provides documents and testimony upon request.
- Performs account reconciliation so that employers do not over- or under-pay borrower accounts through garnishment.
- Works closely with all employers and their associations to explain the wage garnishment program statutes, regulations, and processes. Advises them of the penalties associated with non-compliance.

Chicago Service Center Division

Chicago Service Center Division is responsible for the full range of collections services including Contract Services, Hearings, Loan Servicing, and Internal Verification and Validation.

Contract Services Branch

Contract Services Branch is responsible for developing policies and processes to validate, service, collect and resolve debts through contractors and other service providers.

(See the functional statements for Atlanta Contract Services for further detail on Contract Services Branch functions.)

Hearings Branch

Hearings Branch is responsible for conducting oral and written hearings for customers, in order to allow customers to present evidence that they believe absolves them from repaying debts.

(See the functional statements for Atlanta Hearings for further detail on Hearings Branch functions.)

Loan Servicing Branch

Loan Servicing Branch is responsible for developing policies and processes to collect and service debts and collecting by voluntary and involuntary means, and for researching account information to resolve customer disputes.

(See the functional statements for Atlanta Loan Servicing for further detail on Loan Servicing Branch functions.)

Internal Verification and Validation Branch

Internal Verification and Validation Branch is responsible for creating and managing six to twelve special collection initiatives or campaigns per year. To accomplish this, the Internal Verification and Validation Branch:

- Services and collects accounts through borrower contacts. Thoroughly explains the government's collection program and immediate campaign to customers and suggests a variety of solutions to resolve indebtedness. Works closely with Loan Servicing and the public

inquiry contract service representatives who may have made initial contacts with customers.

- Determines whether to proceed with the collection of debts through both voluntary and involuntary means, or to transfer accounts to collection contractors through Litigation Support, the Department of Justice (for litigation), Loan Servicing (for review or dispute resolution), or Hearings (for a hearing).
- Works closely with the Office of Public Affairs and other media professionals to create maximum media exposure for campaigns.
- Works with the Washington Service Center to forecast both costs and benefits associated with each campaign.

San Francisco Service Center Division

The San Francisco Service Center Division is responsible for the full range of collections services including Contract Services, Hearings, Loan Servicing, and Litigation Support.

Contract Services Branch

Contract Services Branch is responsible for developing policies and processes to validate, service, collect and resolve debts through contractors and other service providers.

(See the functional statements for Atlanta Contract Services for further detail on Contract Services Branch functions.)

Hearings Branch

Hearings Branch is responsible for conducting oral and written hearings for customers, in order to allow customers to present evidence that they believe absolves them from repaying debts.

(See the functional statements for Atlanta Hearings for further detail on Hearings Branch functions.)

Loan Servicing Branch

Loan Servicing Branch is responsible for developing policies and processes to collect and service debts and collecting by voluntary and involuntary means, and for researching account information to resolve customer disputes.

(See the functional statements for Atlanta Loan Servicing for further detail on Loan Servicing Branch functions.)

Litigation Support Branch

Within the San Francisco Service Center Division, Litigation Support Branch is responsible for developing policies and processes to collect debts through litigation. To accomplish this, the Litigation Support Branch:

- Verifies current addresses to ensure notification of customers of ED's intent to place non-paying accounts with the Department of Justice (DOJ) for litigation.
- Researches account histories to identify customer assets and sources of income, and complete all documents necessary to refer appropriate accounts to DOJ for litigation.
- Tracks the progress of DOJ in litigation efforts, including the assurance of proper accounting for federal dollars collected through this effort.
- Determines appropriate compromise settlements on litigation accounts with the Department of Justice.
- Researches and answers all questions posed by U.S. Attorneys' offices on accounts referred to them for litigation.
- Works with U.S. Attorneys' offices to effect payment of defaulted loans through litigation, including cases where the Federal Government has brought suit to recover loans and all forms of bankruptcy cases where the borrowers have sought protection and relief from their debts under federal bankruptcy law. Assists the Department of Justice in the preparation of lawsuits when customer payments are not forthcoming. Provides documents and testimony upon request.
- Assists the Office of Inspector General in the investigation and prosecution of criminal and civil cases involving student loan fraud. Provides testimony and legal documentation upon request.
- Reviews cases and submits legal documents for lien removal on student loan debts for which liens have been obtained by the Department of Justice or by prior holders of the debts.
- Initiates documents for satisfaction of judgments on accounts with judgments when it is in the Federal fiscal interest.

Consolidations Group

Consolidations Group is responsible for managing the flow of information necessary to consolidate a borrower's separate loans and administering the receipt, processing, and certification of loan consolidation requests. To accomplish this mission, Consolidations Group:

- Manages Consolidated Loan Information:

- Provides the borrower a listing of loan holders authorized to be consolidation agents.
 - Receives choice of a loan consolidator from borrower.
 - Processes loan consolidation request from borrower or loan holder.
 - Notifies borrower of acceptance or denial of consolidation request.
 - Receives and processes electronic files or images and process paper. loan consolidation applications.
- Originates Consolidated Direct Loan:
 - Receives verification of loan existence and balance from schools (Perkins) and lenders (FFEL).
 - Sends disclosure and promissory note to students.
 - Generates payment request to lender or school for consolidation.
 - Applies the payoff amount for each underlying loan to create one consolidated Direct Loan.
 - Creates origination record for consolidated Direct Loans.
 - Recalculates payoff amounts for borrowers based on overpayment/underpayment adjustments.
 - Runs credit check for PLUS loan consolidation

Portfolio Risk Management Group

Portfolio Risk Management Group is responsible for supporting the management and performance evaluation of the FSA guaranteed and Direct Loan portfolios and identifying and analyzing risk exposure for all FSA loan programs and the Pell Grant program to ensure reduced loss through defaulted loans and/or overpayment of grants; more effective management of change; better service delivery; increased certainty and fewer surprises; more efficient use of resources; improved decision-making internal to ED, other federal, states, and local agencies and Congress; and a reduction in waste, fraud, and abuse. To accomplish this mission, Portfolio Risk Management Group:

- Develops and manages loan portfolio strategies
- Coordinates implementation of loan portfolio strategies
- Performs financial analysis
- Sets tolerance level of risks
- Ensures the appropriate parties, including senior management are included in decision-making and implementation process
- Monitors and reports actions taken to reduce/mitigate risk
- Ensures due diligence is increased based on high dollar exposure
- Educates borrowers via proactive risk awareness programs
- Forecasts default levels
- Reviews treatment of recovery dollars and rate by ED to ensure reporting reflects complete potential loss exposure to the government
- Reviews the reasons for cured defaulted loans held by ED and identifies why guaranty agencies are not curing the loan prior to assignment to ED.

